2015 Annual Report

United
COMMUNITY BANKS, INC.®

FINANCIAL HIGHLIGHTS

(in millions, except per share data)

	2015	2014
CORE EARNINGS SUMMARY		
Net interest revenue	$ 258.7	$ 224.4
Core fee revenue	71.5	54.9
Core operating expenses	192.6	162.1
Core earnings (pre-tax, pre-credit)	**137.6**	**117.2**
Provision for loan losses	(3.7)	(8.5)
Merger-related charges	(12.0)	-
Impairment charge on property purchased for future branches	(6.0)	-
Securities gains, net	2.3	4.8
Loss on prepayment of borrowings	(1.3)	(4.4)
Other, net	(.6)	(.5)
Income tax expense	(44.7)	(41.0)
Net income	**71.6**	**67.6**
Preferred dividends	(.1)	(.4)
Net income available to common shareholders	**$ 71.5**	**$ 67.2**
PER COMMON SHARE		
Diluted earnings—operating[1]	$ 1.27	$ 1.11
Diluted earnings	1.09	1.11
Book value	14.02	12.20
Tangible book value	12.06	12.15
PERFORMANCE MEASURES		
Net interest margin	3.30 %	3.26 %
Allowance for loan losses to loans, excluding acquired loans	1.35	1.53
Allowance for loan losses to loans—GAAP	1.14	1.53
Return on assets—operating[1]	.98	.91
Return on assets—GAAP	.85	.91
Tangible common equity to assets (year-end)	9.15	9.74
Tier I risk-based capital ratio (year-end)	11.45	12.06
AS OF YEAR-END		
Loans	$ 5,995	$ 4,672
Investment securities	2,656	2,198
Total assets	9,626	7,567
Deposits	7,881	6,327
Shareholders' equity	1,018	740
Common shares outstanding (thousands)	71,484	60,259
Beneficial owners	18,400	15,450
Employees	1,932	1,536
Banking offices	134	103

[1]Excludes the effect of merger-related charges of $12.0 million and impairment charges of $6.0 million on real estate purchased in prior years for use as future branch sites, net of income tax benefit of $6.4 million.

LETTER TO SHAREHOLDERS

2015 was an outstanding year for United Community Banks. We achieved strong organic growth in both loans and deposits, strengthened fee revenue through our government guaranteed and mortgage lending businesses and expanded strategically with significant acquisitions in targeted high-growth markets. Our competitive advantage of community bank service with large bank capabilities continued to serve us very well, and was strengthened with new specialty lending products. We produced loans totaling $2 billion, grew net loans by $444 million or 10 percent, and grew core deposits by 14 percent. And, once again, our bankers earned national recognition for superior customer service.

All of this and more during the year resulted in record financial performance. Net operating income, excluding merger-related and impairment charges, was $83.2 million, or $1.27 per diluted share, a 14 percent increase from a year ago. Return on equity increased from 9.32 percent in 2014 to 10.24 percent in 2015. Return on assets was .98 percent and hit our target of 1 percent during two of the four quarters. With that target now achieved, we have a more challenging goal of hitting 1.1 percent by the end of 2016. I am confident that we are up to the task.

Meanwhile, as a result of our multi-year focus on core deposit growth, and boosted by our acquisitions in 2015, more than 90 percent of our deposits are core deposit accounts.

ORGANIC GROWTH

I am very pleased with our organic growth during 2015. It is worth noting that both our 10 percent loan growth and 14 percent core transaction deposit growth exclude loans and deposits that were acquired in mergers. Contributors to loan growth have included specialized lending products—including commercial real estate, SBA, asset-based lending, middle market and builder finance—that customers want but often cannot find at their local bank. These specialty loans have grown from $76 million in 2011 to $492 million at the end of 2015, helping diversify our portfolio. We provide them through a “hub and spoke” model, with specialized lending experts teaming with our community banks. This entrepreneurial approach increases our value to local businesses, serves as a competitive advantage and is consistent with our positioning as a community bank with large bank resources.

Fee revenue was another large contributor to increased profitability, with growth of $17 million or 30 percent. Gains from SBA loan sales more than doubled to $6.3 million; mortgage and related fees grew 81 percent to $13.6 million, and service charges and fees grew by 11 percent to $37 million.

GROWTH THROUGH ACQUISITIONS

Consistent with our strategy of expanding in attractive southeastern markets, we completed two acquisitions in 2015—our first in several years and among the largest in our history. Both banks are solid franchises and share our mission of high performance built on outstanding customer service.

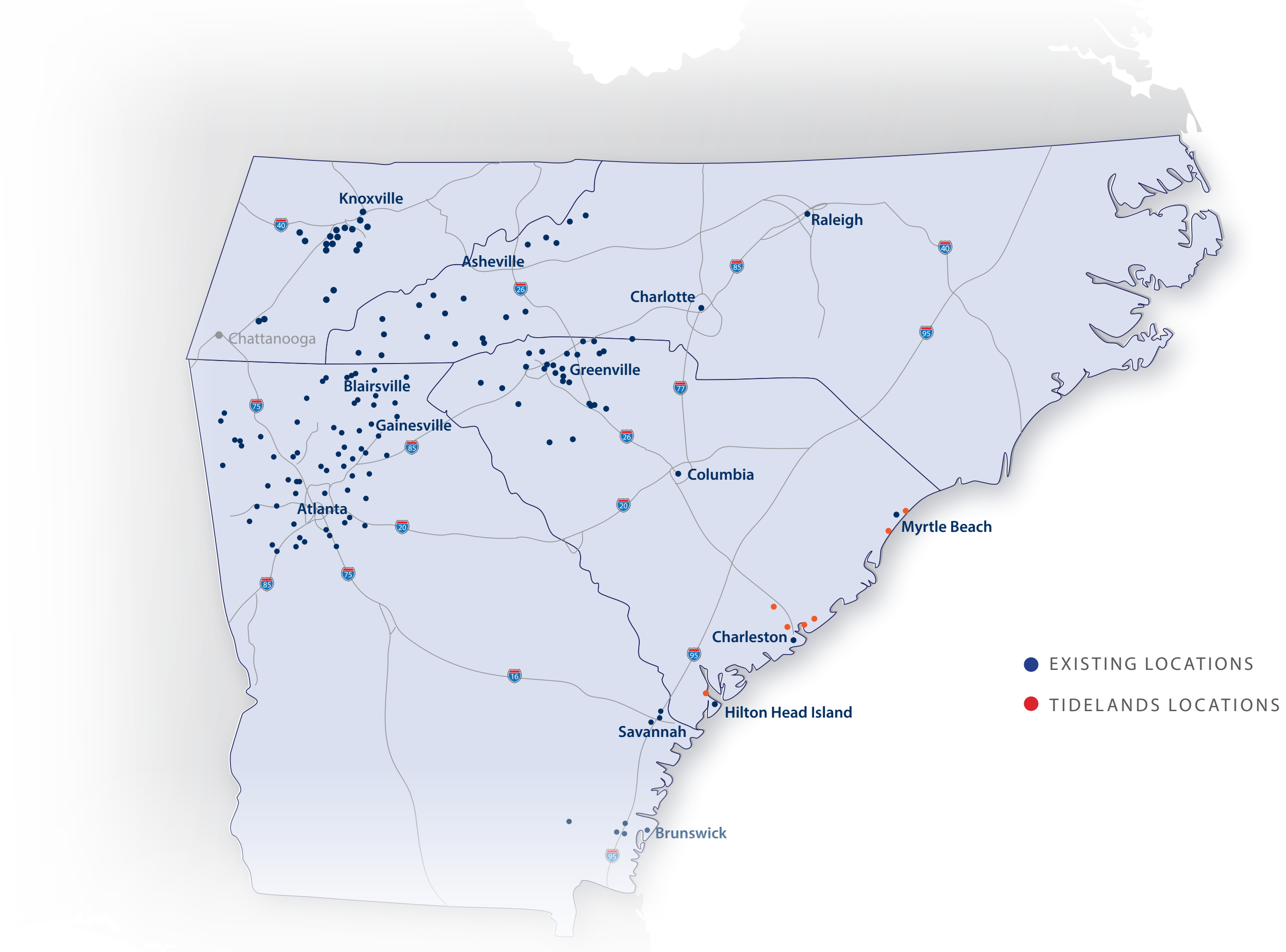
In May we welcomed MoneyTree Corporation and its subsidiary First National Bank, doubling our presence along the high-growth Interstate-75 corridor from Cleveland to Knoxville, Tennessee. First National Bank devoted more than 100 years to building deep ties in these communities, both as a bank and as a corporate citizen. Our combined team is focused on realizing the strong opportunities in these markets.

Palmetto Bancshares, the largest community bank based in the Upstate area of South Carolina, joined the United team in September. Palmetto Bank boosted our presence in this dynamic region from one location in Greenville to 25 locations in nine counties in and around the Greenville and Spartanburg MSAs, which includes the Interstate-85 corridor. The Upstate is South Carolina's fastest-growing region, with a vibrant economy and high quality of life. Palmetto Bank was founded in 1906 and, like First National Bank, built loyal relationships on respectful and caring service over more than a century.

Consistent with our strategy of expanding in attractive southeastern markets, we completed two acquisitions in 2015—our first in several years and among the largest in our history.

We believe Coastal South Carolina presents a tremendous growth opportunity, and, to that end, we are very excited about a new, recently-announced agreement to acquire Tidelands Bancshares. Tidelands has $466 million in assets and a strong presence in the Charleston, Myrtle Beach and Hilton Head markets—all three of which are among the top 10 fastest-growing MSAs in the United States. This is a terrific fit with the new presence we established in Charleston during the fourth quarter with a loan production office under the leadership of Dixon Woodward. Dixon previously served as president of the Coastal South Carolina region for one of the ten largest banks in North America. He and his strong team are off to a great start, exceeding our own expectations. Partnering with Tidelands and their talented bankers will provide them with a much stronger local base for establishing the United brand and growing the business. We expect this transaction to close in the third quarter of 2016.

We could not be happier to have these remarkable organizations join our team. They bring strong franchises with attractive and stable deposit market shares. Most of all they bring the exceptional people who have carried on their banks' legacies of service. They are perfect cultural fits with United, sharing our community banking philosophy of staying close to customers by always being there to anticipate their financial needs and serve them well.



UNITED SERVICE: "BEST-IN-CLASS"

Once again our bankers earned recognition for unsurpassed customer satisfaction in our peer group of banks with $5 billion to $15 billion in assets. Customer loyalty has continued to rank best-in-class and actually increased during 2015, according to research firm Customer Service Profiles. The overall customer experience was best-in-class as well, due to our bankers' expertise and genuine concern for every customer. Further, United finished first in the J.D. Power Retail Banking Satisfaction Study for the Southeast Region.

The bottom line is that United bankers are never satisfied until their customers are. They consistently live their core value of treating people the way they want to be treated. They are truly our foundation, our spirit and the reason for our success.

While we are on the subject of exceptional people, Steven J. Goldstein recently retired from our board of directors after four years of dedicated service. Steven has been a terrific asset for United, having served as chair of our risk committee among many other contributions. Also, Nicholas B. Paumgarten has chosen not to seek re-election to the board and will end his service after the 2016 Annual Meeting. We deeply appreciate Steven and Nick's dedicated service and many contributions, and wish them all the best.

Kenneth L. Daniels, whom we welcomed to our board of directors during the fourth quarter of 2015, will succeed Steven as chairman of the risk committee. Ken, who is greatly respected as a banking leader and risk professional, has executive-level experience in portfolio management, regulatory requirements, policy development and data integrity. His professional experience and personal integrity make him a fine addition to our board.

PROGRESS AND PLANNING

We have made tremendous progress. In 2014 we invested in markets, talent and products to strengthen our franchise and drive performance. In 2015 we began reaping financial benefits from these investments, even as we strengthened and added to them consistent with our growth strategy. We made our first acquisitions since 2007, building and enhancing the United presence in exceptional markets. We have added talent for leadership and expertise, both in markets and products and services. We have added products that our customers want and need, that differentiate us from our competition, and that diversify income sources.

To address the integrity of customer information, we are investing in cybersecurity. This is a top priority; you are well aware of data breaches in various industries and organizations worldwide. We work continually to protect customer data on numerous fronts, including intelligence sharing and systems monitoring partnerships with IBM, the FDIC, the FBI and other third parties. Internally we have risk assessments, information security training and testing, and security and fraud information on our website.

In regard to regulatory compliance, we are nearing $10 billion in assets, a milestone of sorts though we measure our success not in asset size but in customer satisfaction, financial performance and shareholder value. Under the Dodd-Frank Act, the $10 billion threshold brings heightened regulatory expectations and related costs. Planning ahead, in 2015 we engaged outside firms to assist with independent reviews of and enhancements to our compliance areas. We saw this as a necessary investment to support future growth and expansion opportunities. Our expected financial benefits associated with the Tidelands acquisition will more than offset the earnings per share decrease we anticipate during the first full quarter of the new regulations. Further, crossing the $10 billion mark will subject us to the Durbin Amendment of the Dodd Frank Act. The Durbin Amendment places limits on the interchange fees banks can charge merchants for debit card transactions. This will lead to some loss of revenue. We expect this to happen in the third quarter of 2017. While these additional regulatory costs and revenue limits are just part of the cost of growth, we believe the operational efficiencies to be realized over a larger organization will offset most of the impact.

LOOKING FORWARD

We have good reason to be optimistic. We have strong leadership throughout our markets, a culture of service and best-in-class customer satisfaction. Seventy percent of our footprint is now in high-growth metropolitan areas where we contribute to and benefit from economic development. Between 2016 and 2021 the average population growth in the seven MSAs we serve is expected to be 5.5 percent, compared to 3.7 percent for the U.S. as a whole. Our selective expansion in these and other markets, and our ability to increase value for customers, serve our goals of improving financial performance and increasing shareholder value.

Investments in markets, products and talent will continue. Our focus is and always has been to continue to build the company from within through organic growth. As consolidation continues in our industry, acquisitions will be part of our balanced growth strategy. We are expanding and diversifying our loan portfolio with emphasis on commercial and industrial, owner-occupied commercial real estate and specialized lending. Our focus continues as well on fee revenue, with investments in mortgage, advisory services and SBA capabilities. And, as always, we are recruiting and training exceptional people whose skills and character are invaluable to external and internal customers.

As we grow our business we have not lost sight of who we are and how we have achieved our success. At our core we remain a community bank—focused on providing the best possible service for our customers and communities. Superior service includes convenience, which requires state-of-the-art delivery systems. Thirty percent of our transactions are now technology-driven, and that number will grow with shifts in demographics and preferences. Consequently we are investing in state-of-the-art teller platforms, telecommunications and mobile banking to enhance the customer experience as well as operational efficiency. While banking will always remain a people business, we must vigilantly anticipate and serve the full range of customer needs for service access.

Our 2015 results are a testimony to the devotion and perseverance of our bankers. Integrating two new banks into our system is no small task while continuing to do what they always do—provide the highest level of service to our customers and communities. Service isn't just what they do; it is who they are. They believe their purpose is to serve others, and I am honored to be a member of their team.

Our investments in people, products, markets and infrastructure have built strong momentum on a solid foundation. We are excited about the opportunities ahead. Most importantly we are grateful for your support, and are dedicated always to increasing the value of your investment in United.

Sincerely,

Jimmy Tallent

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)

	2015	2014	2013
INTEREST REVENUE			
Loans, including fees	$ 223,256	$ 196,279	$ 200,893
Investment securities:			
Taxable	51,143	47,755	40,331
Tax exempt	705	738	827
Deposits in banks and short-term investments	3,428	3,660	3,789
Total interest revenue	278,532	248,432	245,840
INTEREST EXPENSE			
Deposits:			
NOW	1,505	1,651	1,759
Money market	3,466	3,060	2,210
Savings	98	81	133
Time	3,756	7,133	10,464
Total deposit interest expense	8,825	11,925	14,566
Short-term borrowings	364	2,160	2,071
Federal Home Loan Bank advances	1,743	912	68
Long-term debt	10,177	10,554	10,977
Total interest expense	21,109	25,551	27,682
Net interest revenue	257,423	222,881	218,158
Provision for credit losses	3,700	8,500	65,500
Net interest revenue after provision for credit losses	253,723	214,381	152,658
FEE REVENUE			
Service charges and fees	36,825	33,073	31,997
Mortgage loan and other related fees	13,592	7,520	9,925
Brokerage fees	5,041	4,807	4,465
Gains from sales of government guaranteed loans	6,276	2,615	-
Securities gains, net	2,255	4,871	186
Losses from prepayment of borrowings	(1,294)	(4,446)	-
Other	9,834	7,114	10,025
Total fee revenue	72,529	55,554	56,598
Total revenue	326,252	269,935	209,256
OPERATING EXPENSES			
Salaries and employee benefits	116,688	100,941	96,233
Occupancy	15,372	13,513	13,930
Communications and equipment	15,273	12,523	13,233
FDIC assessments and other regulatory charges	5,106	4,792	9,219
Professional fees	10,175	7,907	9,617
Postage, printing and supplies	4,273	3,542	3,283
Advertising and public relations	3,667	3,461	3,718
Amortization of intangibles	2,444	1,348	2,031
Foreclosed property	32	634	7,869
Merger-related and other charges	17,995	-	-
Other	20,213	14,204	15,171
Total operating expenses	211,238	162,865	174,304
Income before income taxes	115,014	107,070	34,952
Income tax expense (benefit)	43,436	39,450	(238,188)
Net income	**71,578**	**67,620**	**273,140**
Preferred stock dividends and discount accretion	67	439	12,078
Net income available to common shareholders	**$ 71,511**	**$ 67,181**	**$261,062**
Income per common share:			
Basic	$ 1.09	$ 1.11	$ 4.44
Diluted	1.09	1.11	4.44
Weighted average common shares outstanding:			
Basic	65,488	60,588	58,787
Diluted	65,492	60,590	58,845

CONSOLIDATED BALANCE SHEET

(in thousands, except share data)

	2015	2014
ASSETS		
Cash and due from banks	$ 86,912	$ 77,180
Interest-bearing deposits in banks	153,451	89,074
Short-term investments	-	26,401
Cash and cash equivalents	240,363	192,655
Securities available-for-sale	2,291,511	1,782,734
Securities held-to-maturity (fair value $371,658 and $425,233)	364,696	415,267
Mortgage loans held for sale	24,231	13,737
Loans, net of unearned income	5,995,441	4,672,119
Less allowance for loan losses	(68,448)	(71,619)
Loans, net	5,926,993	4,600,500
Premises and equipment, net	178,165	159,390
Bank owned life insurance	105,493	81,294
Accrued interest receivable	25,786	20,103
Net deferred tax asset	197,613	215,503
Derivative financial instruments	20,082	20,599
Goodwill and other intangible assets	147,420	3,641
Other assets	103,755	61,563
Total assets	**$9,626,108**	**$ 7,566,986**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand	$ 2,204,755	$ 1,574,317
NOW	1,975,884	1,504,887
Money market	1,599,637	1,273,283
Savings	471,129	292,308
Time	1,282,803	1,256,706
Brokered	346,881	425,011
Total deposits	7,881,089	6,326,512
Repurchase agreements	16,640	6,000
Federal Home Loan Bank advances	430,125	270,125
Long-term debt	165,620	129,865
Derivative financial instruments	28,825	31,997
Unsettled securities purchases	-	5,425
Accrued expenses and other liabilities	85,524	57,485
Total liabilities	**8,607,823**	**6,827,409**
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $1 par value; 10,000,000 shares authorized;		
Series H, $1,000 stated value; 9,992 and 0 shares issued and outstanding	9,992	-
Common stock, $1 par value; 100,000,000 shares authorized;		
66,198,477 and 50,178,605 shares issued and outstanding	66,198	50,178
Common stock, non-voting, $1 par value; 26,000,000 shares authorized;		
5,285,516 and 10,080,787 shares issued and outstanding	5,286	10,081
Common stock issuable; 458,953 and 357,983 shares	6,779	5,168
Capital surplus	1,286,361	1,080,508
Accumulated deficit	(330,879)	(387,568)
Accumulated other comprehensive loss	(25,452)	(18,790)
Total shareholders' equity	**1,018,285**	**739,577**
Total liabilities and shareholders' equity	**$9,626,108**	**$ 7,566,986**

SELECTED DATA—QUARTERLY SUMMARY

(in millions, except per share data; taxable equivalent)

	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
CORE EARNINGS SUMMARY					
Net interest revenue	$ 74.0	$ 65.7	$ 61.3	$ 57.6	$ 58.3
Core fee revenue [(1)]	20.8	18.5	17.2	15.1	14.6
Core revenue [(1)]	94.8	84.2	78.5	72.7	72.9
Core operating expenses [(2)]	56.5	48.8	45.1	42.2	42.1
Core earnings (pre-tax, pre-credit) [(1)(2)]	**38.3**	**35.4**	**33.4**	**30.5**	**30.8**
Provision for loan losses	(.3)	(.7)	(.9)	(1.8)	(1.8)
Merger-related charges	(3.1)	(5.7)	(3.2)	-	-
Impairment charge on property purchased for future branches	(6.0)	-	-	-	-
Other, net	.6	-	-	(.2)	.5
Income tax expense	(11.3)	(11.1)	(11.5)	(10.8)	(11.3)
Net income	**18.2**	**17.9**	**17.8**	**17.7**	**18.2**
Preferred dividends	-	(.1)	-	(.4)	-
Net income available to common shareholders	**$ 18.2**	**$ 18.0**	**$ 17.8**	**$ 18.1**	**$ 18.2**
PERFORMANCE MEASURES					
Per common share:					
Diluted earnings - operating [(3)]	$ .33	$ .33	$ .32	$ .29	$ .30
Diluted earnings - GAAP	.25	.27	.28	.29	.30
Book value	14.02	13.95	12.95	12.58	12.20
Tangible book value [(4)]	12.06	12.08	12.66	12.53	12.15
Key performance ratios:					
Net interest margin [(5)]	3.34 %	3.26 %	3.30 %	3.31 %	3.31 %
Return on assets—operating [(3)(5)]	.99	1.00	1.00	.94	.96
Return on assets—GAAP [(5)]	.76	.82	.89	.94	.96
Return on tangible common equity—operating [(3)(5)(6)]	10.87	10.29	10.20	9.46	9.74
Return on common equity—operating [(3)(5)(6)]	9.18	9.54	9.90	9.34	9.60
Return on common equity—GAAP [(5)(6)]	7.02	7.85	8.83	9.34	9.60
Tangible equity to assets (period-end) [(4)]	9.26	9.48	9.84	9.93	9.74
Tangible common equity to assets (period-end) [(4)]	9.15	9.37	9.72	9.93	9.74
ASSET QUALITY					
Non-performing loans	$ 22.6	$ 20.0	$ 18.8	$ 19.0	$ 17.9
Foreclosed properties	4.9	7.7	2.4	1.2	1.7
Total non-performing assets (NPAs)	27.5	27.7	21.2	20.2	19.6
Allowance for loan losses	68.4	69.1	70.1	70.0	71.6
Net charge-offs	1.3	1.4	1.0	2.6	2.5
Allowance for loan losses to loans, excluding acquired loans	1.35 %	1.37 %	1.42 %	1.46 %	1.53 %
Allowance for loan losses to loans	1.14	1.15	1.36	1.46	1.53
Net charge-offs to average loans [(5)]	.09	.10	.08	.22	.22
NPAs to loans and foreclosed properties	.46	.46	.41	.42	.42
NPAs to total assets	.29	.29	.26	.26	.26
AT PERIOD END					
Loans	$ 5,995	$ 6,024	$ 5,174	$ 4,788	$ 4,672
Investment securities	2,656	2,457	2,322	2,201	2,198
Total assets	9,626	9,414	8,246	7,664	7,567
Deposits	7,881	7,905	6,808	6,438	6,327
Shareholders' equity	1,018	1,013	827	764	740
Common shares outstanding	71.5	71.5	62.7	60.3	60.3

[1] Excludes net securities gains and losses from the prepayment of borrowings. [2] Excludes foreclosed property costs, merger-related charges, impairment charges on real estate purchased in prior years for future branch sites, severance costs, the partial reversal of an earlier provision for litigation settlement and amounts paid to the FDIC to settle United's loss sharing agreement. [3] Excludes the after-tax effect of merger-related charges and impairment charges on real estate purchased in prior years for future branch sites. [4] Excluded the effect of acquisition related intangible assets. [5] Annualized. [6] Net income available to common shareholders, which is net of preferred dividends, divided by average realized common equity, which excludes accumulated other comprehensive income (loss).

CORPORATE INFORMATION

FINANCIAL INFORMATION

Analysts and investors seeking financial information should contact:

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This Annual Report contains forward looking statements that involve risk and uncertainty and actual results could differ materially from the anticipated results or other expectations expressed in the forward-looking statements. A discussion of factors that could cause actual results to differ materially from those expressed in the forward-looking statements is included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission.

This Annual Report also contains financial measures that were prepared on a basis different from accounting principles generally accepted in the United States ("GAAP"). References to operating earnings, pre-tax, pre-credit earnings and core earnings are non-GAAP financial measures. Management has included such non-GAAP financial measures because such non-GAAP measures exclude certain non-recurring revenue and expense items and therefore provide a meaningful basis for analyzing financial trends. A reconciliation of these measures to financial measures determined using GAAP is included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission.

STOCK PRICE

	Quarter	High	Low	Close	Average Daily Volume
2014	4th	$ 19.50	$ 15.16	$ 18.94	262,598
2015	1st	$ 19.53	$ 16.48	$ 18.88	234,966
	2nd	21.23	17.91	20.87	328,887
	3rd	22.23	18.58	20.44	319,884
	4th	22.23	18.61	19.49	376,214

INVESTOR INFORMATION

Investor information including this report, Form 10-K, quarterly financial results, press releases and various other reports are available at ir.ucbi.com. Alternatively, shareholders may contact Investor Relations at 866-270-5900 or investor_relations@ucbi.com.

STOCK EXCHANGE

United Community Banks, Inc. (Ticker: UCBI) common stock is listed for trading on the NASDAQ Global Select Market.

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

PricewaterhouseCoopers LLP, Atlanta, GA

LEGAL COUNSEL

Troutman Sanders LLP, Atlanta, GA

REGISTRAR TRANSFER AGENT

Continental Stock Transfer & Trust Co.
17 Battery Park, 8th Floor
New York, NY 10004
212-509-4000 | continentalstock.com

EQUAL OPPORTUNITY EMPLOYER

United Community Banks is an equal opportunity employer. All matters regarding recruiting, hiring, training, compensation, benefits, promotions, transfers and other personnel policies will remain free from discriminatory practices.

BOARD OF DIRECTORS

W.C. Nelson, Jr.
Lead Director
Co-Owner and Operator
Nelson Tractor Co.

Jimmy C. Tallent
Chairman, Chief Executive Officer

Robert H. Blalock
Chief Executive Officer
Blalock Insurance Agency, Inc.

L. Cathy Cox
President
Young Harris College

Kenneth L Daniels
Retired Chief Credit Risk and Policy Officer
BB&T Corporation

H. Lynn Harton
President, Chief Operating Officer

Nicholas B. Paumgarten
Founder
Corsair Capital

Thomas A. Richlovsky
Retired Chief Financial Officer and Treasurer
National City Corporation

Tim R. Wallis
Owner and President
Wallis Printing Company

Robert L. Head, Jr.
Director Emeritus
Owner
Head Westgate

EXECUTIVE OFFICERS

Jimmy C. Tallent
Chairman, Chief Executive Officer

H. Lynn Harton
President, Chief Operating Officer

Rex S. Schuette
Executive Vice President,
Chief Financial Officer

Bill M. Gilbert
President, Community Banking

Robert A. Edwards
Executive Vice President,
Chief Credit Officer

Bradley J. Miller
Executive Vice President,
Chief Risk Officer, General Counsel

Richard W. Bradshaw
President, Specialized Lending

United

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